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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

V.

DAVID A. DADANTE,

Defendant.

) INFORMATION

CASE NO.

) JUDGE

) Title 15, Sections 78j(b) and 78ff, United
) States Code, Title 17, Code of Federal
) Regulations, Section 240.10b-5

MAG. JUDGE LIMBERT

The United States Attorney charges:

I. BACKGROUND

At all times material to this Information:

A. Relevant Persons and Entities

1. IPOF Fund ("IPOF"), an Ohio limited partnership, was an Investment Company as that term is defined in Section 202 of the Investment Company Act of 1940 ("the Act"), codified at Title 15, United States Code Section 80a-7(a), and regulations promulgated by the United States Securities and Exchange Commission ("SEC"). IPOF engaged in the business of investing, reinvesting, and trading in securities with an emphasis on initial public offerings and

- 2 -

large “block” equity day trading, meant to derive a profit from small price movements in stocks. IPOF was not registered with the SEC as an Investment Company or in any other capacity.

2. The defendant, DAVID A. DADANTE, was a resident of Euclid and Gates Mills, Ohio. DADANTE was the President, Founder, and sole General Partner of IPOF. DADANTE was responsible for managing IPOF’s administrative operations, serving as trader, internal accountant, and “Investment Manager.” DADANTE was therefore responsible for reporting IPOF’s assets and performance to the limited partners invested in the Fund. DADANTE was not registered to sell securities by the SEC, the National Association of Securities Dealers (“NASD”), the State of Ohio or any other jurisdiction.

3. DADANTE was an Investment Adviser as that term is defined in Section 202 of the Investment Advisers Act of 1940 (“the Act”), codified at Title 15, United States Code Section 80b-2, and regulations promulgated by the United States Securities and Exchange Commission (“SEC”). DADANTE provided investment advisory services to IPOF and the IPOF limited partners. DADANTE was not registered with the SEC as an Investment Adviser.

B. IPOF Bank Accounts

4. DADANTE maintained accounts at Sky Bank (f.k.a. Metropolitan Savings Bank) branches and National City Bank branches in the Northern District of Ohio. DADANTE was an authorized signatory on these accounts (referred to collectively as the “IPOF Bank Accounts”).

- 3 -

5. These accounts were as follows:

Financial Institution	Account Number	Account Name
Sky Bank	XXXXXX6929	D&D Publications
Sky Bank	XXXXXX0520	GSGI
Sky Bank	XXXXXX5024	Coffee King, Inc., dba IPOF Fund
Sky Bank	XXXXXX0560	Coffee King, Inc., dba IPOF Fund
Sky Bank	XXXXXX1873	GSGI
Sky Bank	XXXXXXX5155	IPOF Fund
Sky Bank	XXXXXXX3460	IPOF Fund
Sky Bank	XXXXXXX9122	IPOF Fund
Sky Bank	XXXXXX5145	IPOF Fund
Sky Bank	XXXXXXX4125	David Dadante
National City Bank	XXXXXX2452	David Dadante

C. IPOF Brokerage Accounts

6. DADANTE maintained various brokerage accounts at Advest, Ferris Baker Watts, Inc. (hereafter referred to as Ferris Baker Watts), McDonald Financial Group, Questar, Merrill Lynch, Ancora (f.k.a. Pershing), Wachovia Securities, and H & R Block, all of which operated within the Northern District of Ohio. These brokerage firms also maintain operations throughout the United States. DADANTE had sole signatory authority over these accounts (referred to collectively as the "IPOF Brokerage Accounts"). These brokerage accounts are as follows:

Brokerage House	Account Number	Account Name
Advest	XXX-X2334	D&D Publications
Advest	WBW-XXXX-6974	D&D Publishing

- 4 -

Brokerage House	Account Number	Account Name
Advest	WBW-XX1578	IPOF Fund
Advest	WBW-XX6501	IPOF Fund
Ferris Baker Watts	XXXX-1946	IPOF Fund
Advest	XXXX-7877	IPOF Fund
Advest	WBW-XX7612	David A. Dadante TTEE David A. Dadante Revocable Trust
Ferris Baker Watts	XXXX-5843	GSGI
McDonald Investments	XXXX8243	David A. Dadante
Advest	WBW-X5110 (XXXX-6974)	D&D Publications
Questar	XXX-XX8396	David A. Dadante Revocable Trust
Merrill Lynch	XXX-X2420	Dave Dadante Revocable Trust
Ancora (f.k.a Pershing)	XXX-XX6149	David A. Dadante Revocable Trust
Wachovia Securities	XXXX-0487	Dave Dadante Revocable Trust
Advest	WBW-XX0176	IPOF Fund
H & R Block	XXXX-1758	David Dadante Revocable Trust
H & R Block	XXXX-2901	IPOF Fund
H & R Block	XXXX-7417	D&D Publications
H & R Block	XXXX-5329	David Dadante
Advest	WBW-XXXX- 3901	David Dadante

D. Innotrac Corporation

7. Innotrac Corp. (hereafter referred to as Innotrac) was a full-service order fulfilment and logistics provider, incorporated in Georgia and headquartered in Duluth, Georgia. Innotrac's common stock was publicly traded under the symbol "INOC" on the Nationwide Automated Quotation System ("NASDAQ"), a national securities exchange

- 5 -

which uses the means and instrumentalities of interstate commerce. Innotrac's common stock was registered with the SEC pursuant to Section 12(g) of the Securities Exchange Act of 1934 (hereafter referred to as the "Exchange Act"), 15 U.S.C. § 78l(g).

II. THE FRAUDULENT SCHEMES

A. **The IPOF "Ponzi" Scheme**

8. From in or about 1999, through in or about November 2005, DAVID A. DADANTE, the defendant, promoted and sold investment contracts in the form of limited partnership interests in the IPOF Fund to approximately one hundred different investors in the states of Ohio, Kentucky, New Jersey, Pennsylvania, Connecticut, and Florida, in a principal amount of approximately \$46,708,790.02.

9. Rather than actually investing all of the investor funds, DAVID A. DADANTE unlawfully used the investor money to: (a) pay purported investment returns, and other compensation due under the terms of the securities to other existing investors; (b) pay business expenses necessary to promote the illegal scheme; and (c) pay the personal expenses of DADANTE and his family, including a luxury home in Gates Mills, Ohio, and gambling trips to Las Vegas, Nevada.

i. The Initial Public Offerings "Investment" Strategy

10. To accomplish the fraudulent scheme, DAVID A. DADANTE, the defendant, promoted and sold, among other things, investment contracts in the form of limited partnership interests in the IPOF Fund purportedly returning high-yield investment gains. These investments were managed through IPOF with DADANTE serving as General Partner and "Investment Manager." To induce clients to participate in his

- 6 -

investment program and invest in the IPOF Fund, DADANTE falsely represented, orally and in writing, that the investor funds would be pooled and invested in initial public offerings (IPOs) using a trading strategy that was guaranteed to generate returns because of DADANTE's access to IPOs. DADANTE falsely represented to investors that he was initially receiving initial public offerings through a Vice Chairman of the Goldman Sachs Group, Inc. (Goldman Sachs), located in New York, New York, with whom DADANTE claimed to have had a prior business relationship. In fact, DADANTE then and there well knew that no such relationship with Goldmans Sachs existed.

11. For example, DADANTE distributed a prospectus to investors that, among other things, stated:

"The IPOF Fund invests in selective US emerging growth companies by taking investment positions at the initial offering of the company's equity to the public - a critical juncture in the growth phase of a company's life cycle...The Investment Manager's [DADANTE's] method for financial success is based on its development and application of the "Select Indicator," a proprietary model that selectively indicates new issues that should hopefully out perform the majority of other initial public offerings and the broader market. The Select Indicator is based on the positive correlation of a new issue's fundamental financial characteristics and the company's competitive industry position (or "franchise" value), to a standard established by the historical top 10% IPO performers."

To further induce investment, DADANTE falsely represented, orally and in writing, that IPOF had assets under management of at least \$50 million. DADANTE provided offering materials to individual investors, in which he fraudulently represented and guaranteed that the IPOF Fund trading strategy generated extraordinary rates of return varying from three to four percent on a quarterly basis to ten to twenty percent on an annual basis. DADANTE

- 7 -

offered higher rates of return for investors who placed larger amount of money into the IPOF Fund.

12. In other investment documents, DADANTE stated, among other things:

"The first year the IPOF FUND returned a profit of 26%. The second year the IPOF FUND returned a profit of 32%. Based on these returns and the new investors, we will offer the above guaranteed interest on your initial investment."

ii. The "Block Trading" Strategy

13. As the scheme progressed, DADANTE altered the "trading" strategy to a concept he described as "block trading" by which he would purchase large amounts of stock of "blue-chip" companies and then, in the same day, after causing the stock price to rise, liquidate the entire position at a profit. As DADANTE changed to the block trading strategy, he falsely represented to investors that these trades were also handled by his contact at Goldman Sachs. In fact, DADANTE knew that he had no such contact at Goldman Sachs and the investor proceeds would not be used in that manner, but rather used to perpetuate the fraudulent "Ponzi" scheme and to pay his personal expenses and those of his family.

iii. IPOF Account Statements

14. After receiving investor funds, DADANTE provided investors with fictitious quarterly account statements listing false investment values. These statements, bearing a letterhead of IPOF FUND, identified the individual investor, the current time period for the investment, the "Initial Account Value," contributions listed as "Added Account Value," and the "Current Portfolio Valuation." The written materials provided to

- 8 -

the investors did not state any risk associated with IPOF or financial information about DADANTE. Some of these statements were sent through the U.S. mails.

iv. Investor Funds

15. To further induce investment, DADANTE falsely represented that all investor funds were held in a Money Market Account at Goldman Sachs Group, Inc., which gave the impression the funds were safely invested with an investment leader available only to a limited number of highly qualified investors. This lent legitimacy to the scheme and minimized the perceived risk by the IPOF investors.

16. DADANTE pooled the investor funds into the IPOF Bank Accounts he controlled. Rather than invest all of the money, DADANTE used a portion of the funds from subsequent investors to make payments to previous investors. DADANTE spent some of the funds on his personal expenses, including a luxury home in Gates Mills, Ohio, and gambling in Las Vegas, Nevada.

17. DADANTE sent the remainder of the funds to the IPOF brokerage accounts he controlled.

18. As part of the scheme and artifice, DADANTE falsely represented, both orally and in writing, that the investors were achieving high returns on their investments causing most investors to "roll-over" their existing investment and lull them into the belief that their investments were making money. Some of the investors placed even more money into the IPOF Fund based upon DADANTE's false statements as to performance.

- 9 -

v. Undisclosed Trading Activity

19. DADANTE used the investor funds in the IPOF brokerage accounts to, among other things, conduct highly speculative trades in Innotrac and other "thinly-traded" securities. Many of these shares were purchased on "margin" through DADANTE's various brokerage accounts. These purchases on margin allowed DADANTE to keep cash available for the "quarterly returns" to the investors.

20. "Thinly-traded" securities are publicly-traded stocks in which there are relatively few bids to buy or sell. Prices in thinly-traded securities are more volatile than in stocks with greater liquidity, since the few trades which are made can affect prices significantly. Institutional investors, who buy and sell large blocks of stock, tend to avoid thin markets for stock because it is difficult for them to get out of their position without affecting the stock price.

21. "Margin" is the act of borrowing money from a brokerage house to buy a stock and using that investment as collateral. Investors typically use margin to increase their purchasing power so they can own more stock without fully paying for it. Therefore, securities are owned but cash is available for other uses. Purchasing stock on margin exposes investors to the potential for higher losses and increases the risk of investment.

22. DADANTE did not inform his investors of IPOF's purchases of Innotrac and other thinly-traded securities. These purchases of thinly-traded securities, which are considered a riskier investment than "blue-chip" stocks, were in direct contradiction to IPOF's stated purpose of investing in "blue-chip" stocks. In addition, DADANTE did not reveal to investors that any purchases of stock were made on margin.

- 10 -

23. Rather than disclose the true investment portfolio, DADANTE reported to investors the IPOF's fictitious daily trading activity. DADANTE falsely reported the IPOF Fund had bought and sold shares of various "blue-chip" securities such as International Business Machines (IBM), Caterpillar, and General Motors (GM), among others, falsely reporting a purchase and a sale price as well as the profit.

vi. Dadante Keeps Scheme Afloat Through "GSGI"

24. In order to thwart the investors' recognition of the true status of their funds, on or about September 21, 2001, DADANTE opened account #XXXXXX1873 at Sky Bank in the name of GSGI in order to issue checks to the IPOF Fund that appeared to be issued by Goldman Sachs Group, Inc., whose initials are also G.S.G.I. In truth and in fact, GSGI had no relationship or connection with Goldman Sachs. On at least one occasion, DADANTE provided an investor with check #400319956, dated December 22, 2004, in the amount \$1,700,000.00, which purported to be drawn on an account held by Goldman Sachs and payable to the IPOF Fund. This check was provided as proof of the transfer of funds from Goldman Sachs to the IPOF Fund. In truth, and in fact, the represented funds were merely a return of investor monies. The check was written by DADANTE, and was not drawn on an account held by Goldman Sachs, but, rather, the GSGI account at Sky Bank.

25. In furtherance of the scheme, DADANTE issued counterfeit and false account statements. In some instances, DADANTE fabricated Goldman Sachs brokerage statements called Statements of Account which purported to be issued to IPOF Fund. At times, these fictitious statements indicated the IPOF Fund was valued from between \$49,444,476.24 and \$51,033,721.44.

- 11 -

26. For example, in or about October 2005, DADANTE provided an investor a Goldman Sachs Statement of Account, purportedly issued by Goldman Sachs to the IPOF Fund. The Statement indicated the IPOF Fund was valued at approximately \$51,033,721.44. In truth and in fact, DADANTE never held an account with Goldman Sachs and no checks or account statements were sent to him.

27. DADANTE also created and caused to be issued fraudulent "IPOF Fund Account Statements" and other documents, including investor tax documents known as K-1's, which stated that the IPOF Fund was generating a profitable return. In truth, and in fact, the IPOF Fund lost money during the time it operated. Any short term gains by the fund were achieved through the manipulation of the stock price of publicly traded companies. DADANTE used, and caused to be used, the facilities of interstate commerce and the U.S. mails to disseminate this false information to IPOF's clients.

28. DADANTE created these documents and made these false representations and false statements to conceal the depletion of client funds and the true reason for such depletion.

vii. Material Misrepresentations and Omissions

29. From in or about 1999, through in or about November 2005, DAVID A. DADANTE falsely and fraudulently made the following misrepresentations, both orally and in writing, and falsely and fraudulently omitted to state the following facts, among others, to induce others to invest in the IPOF Fund:

- 12 -

Misrepresentations

30. DADANTE represented to investors that contributions to the IPOF Fund would be used to conduct stock trades in accordance with the Fund's trading strategy. This strategy initially focused on initial public offerings and then on block trading of blue-chip securities. In truth and in fact, only a portion of the proceeds were ever used in any such investments and after December 2002, DADANTE and the IPOF Fund predominantly invested in thinly-traded securities, particularly Innotrac which did not meet the investment criteria DADANTE outlined the investors; and

31. DADANTE represented that the investments had positive growth every quarter, when in truth and in fact, IPOF lost money during the time it operated and any gains by the IPOF Fund were only achieved through the manipulation of the stock price of publicly traded companies; and

32. DADANTE represented that IPOF had at least \$51 million in assets under management to cover, insure, and guarantee the investors' principal. In truth and in fact, many of the investments DADANTE made were on margin and DADANTE owed over \$18 million to various brokerage houses; and

33. DADANTE represented that the investment in IPOF Fund was a safe investment in that he guaranteed extraordinary returns on the investment, invested in "blue-chip" stocks, and claimed all funds were held in a money market account except when the daily trade was executed. In truth and in fact, DADANTE invested in highly speculative securities and failed to inform the investors of that fact or the risk inherent with purchasing thinly traded securities; and

- 13 -

34. DADANTE represented to investors that he had befriended an executive with Goldman Sachs who handled the investing of the IPOF Fund. In truth and in fact, DADANTE never had a relationship with anyone at Goldman Sachs, never held an account there, and Goldman Sachs did not handle any of the IPOF Fund's investing activity.

Omissions

35. DADANTE omitted to state to the investors that, as DADANTE well knew, a portion of the proceeds from the sales of IPOF Fund shares would be used to pay principal, interest, and other compensation due to other existing investors in IPOF;

36. DADANTE omitted to state to the investors that, as DADANTE well knew, a portion of the proceeds from the sale of the IPOF Fund shares would be used to pay business expenses necessary to promote the scheme;

37. DADANTE omitted to state to the investors that, as DADANTE well knew, a substantial portion of the proceeds from the sale of the IPOF Fund shares would be used to pay his personal expenses, including a luxury home and gambling in Las Vegas, Nevada;

38. DADANTE omitted to state to the investors that, as DADANTE well knew, the IPOF Fund had invested in Innotrac and at times, the IPOF Fund owned approximately 4,176,725 shares of the Company; and

39. DADANTE omitted to state to the investors that, as DADANTE well knew, that the IPOF Fund had purchased shares of Innotrac on margin and had accumulated margin debt, as of February 4, 2004, of approximately \$18,365,698. In addition, DADANTE omitted to state the risks of purchasing on margin to the investors.

- 14 -

40. From in or about 1999, to in or about November 2005, DAVID A. DADANTE received investors monies totaling approximately \$46,708,790.02; the fraudulent activity resulted in a total dollar loss to investors of approximately \$27,590,069.82.

B. Market Manipulation Scheme

41. From in or about August 2002, through in or about November 2005, the defendant, DAVID A. DADANTE, and others, would and did artificially inflate and maintain the market price for Innotrac stock, raising it from a low of approximately \$2.19 per share, on or about October 15, 2002, to a high of approximately \$12.00 per share on or about March 1, 2004.

i. Initial Accumulation of Innotrac Stock

42. DADANTE first began trading in Innotrac stock on or about August 12, 2002, through an Advest account #WBW-XXXXXX5157, held in the name IPOF Fund, with RR-1 listed as the registered account representative.

43. In January 2003, RR-1 left Advest and joined Ferris Baker Watts. DADANTE transferred his IPOF Fund account from Advest to Ferris Baker Watts, but still maintained accounts at Advest with RR-2 listed as the registered account representative.

44. During the course of the scheme, DADANTE held brokerage accounts at numerous brokerage firms and within those individual firms held multiple accounts as previously referred to herein.

- 15 -

45. From in or about August 2002, through November 2005, DADANTE accumulated approximately 4,176,725 shares of Innotrac stock, eventually becoming a 35 percent owner of the outstanding shares of the company.

ii. SEC Filing Requirements

46. Section 13(d)(1) of the Exchange Act, 15 U.S.C. § 78m(d)(1), and Rule 13d-1 promulgated thereunder, 17 C.F.R. § 240.13d-1, required that, subject to certain limitations not applicable here, any person who acquired beneficial ownership of more than five percent of the stock of an issuer whose securities were registered pursuant to Section 12 of the Exchange Act file a statement with the SEC describing, among other things, the number of shares beneficially owned. Section 16(a)(1) of the Exchange Act, 15 U.S.C. § 78p(a)(1), and Rules 16a-1 through 16a-13 of the rules and regulations of the SEC, 17 C.F.R. §§ 240.16a-13, required that, subject to certain limitations not applicable here, any person who acquired beneficial ownership of more than ten percent of the stock of an issuer whose securities were registered pursuant to Section 12 of the Exchange Act file a statement with the SEC describing, among other things, the number of shares beneficially owned. Rule 13d-3 of the rules and regulations of the SEC, 17 C.F.R. § 240.13d-3, provided that a “beneficial owner of a security” included any person who, directly or indirectly, had investment power, which included the power to dispose, or direct the disposition of, such security. DADANTE had investment power with respect to the IPOF Fund and the IPOF Brokerage Accounts. DADANTE, sought to conceal his beneficial ownership interest of Innotrac’s outstanding common stock by failing to timely file the required statements with the SEC disclosing the Fund’s stake in Innotrac.

- 16 -

iii. Margin Debt Drives Market Manipulation

47. When DADANTE began purchasing shares of Innotrac at Advest, a large amount of those purchases were made on margin. Margin is the act of borrowing money from the brokerage house in order to purchase securities and using those securities as collateral. Margin is governed by Federal Reserve Board regulations which, among other things, require a minimum level of collateral. If the investor falls below that level, the brokerage firm issues what is commonly referred to as a "margin call" (similar to calling in a loan). In order to meet that margin call, an investor can deposit more cash into the account, more securities into the account, or can liquidate some of the securities purchased on margin.

48. On or about January 1, 2003, DADANTE transferred approximately 570,000 shares of Innotrac and a margin balance of approximately \$2,291,772 from his account at Advest to his newly opened account at Ferris Baker Watts.

49. Over the course of the next year, DADANTE continued to purchase Innotrac on margin at Ferris Baker Watts and that margin balance grew to approximately \$18,365,698 as of on or about, February 4, 2004. Much of the illicit trading activity was done to meet and avoid various margin calls. In some instances, it was done to prevent short-selling in Innotrac stock.

iv. Manipulative Trading Activity

50. As part of the scheme and artifice to defraud, DADANTE and others utilized several manipulative techniques to artificially raise the market price of Innotrac including Marking the Close, Incremental Purchases, Wash Sales, and Artificial Bids.

- 17 -

a. Marking the Close

51. DADANTE manipulated Innotrac's stock price through numerous "marking-the-close" transactions. Marking-the-close is the practice of placing orders to purchase a stock at the end of the trading day for the purpose of affecting the closing price of the stock. The end of the trading day for the NASDAQ is the market close at 4:00 p.m. EST.

52. From in or about June 2003, through May 2005, DADANTE caused numerous purchases of Innotrac stock to be made in accounts in his name and in others, at or near the end of the trading day. The effect of this activity was to increase the value of DADANTE's collateral (the Innotrac stock he held) which also increased his margin (or buying) power and freed up cash to make payments to IPOF investors. The increased value of his collateral also had the effect of minimizing the risk of margin calls. The following tables reflect some circumstances where DADANTE, and others, marked the close, including the number of shares purchased, the price, the time of the transaction, the account number, and the account name which purchased the shares.

53. On or about February 10, 2003, just after DADANTE transferred his account to Ferris Baker Watts, the following trading activity occurred at the end of the day:

Quantity	Price	Time (PM)	Account #	Account Name
500	\$4.01	3:50:22	XXXX-1946	IPOF Fund
100	\$3.87	3:50:26		Non Dadante Account
100	\$4.01	3:56:23	XXXX-1946	IPOF Fund
900	\$4.01	3:56:50*	XXXX-1946	IPOF Fund

* Last trade of the day

- 18 -

DADANTE attempted to mark the close at 3:50:22 p.m., but after another investor purchased shares at \$3.87, DADANTE made additional purchases of 100 and 900 shares, respectively.

54. On or about April 7, 2003, DADANTE caused the following trades to be executed in an account he controlled at Ferris Baker Watts. The previous bid, prior to DADANTE's bid, was at \$4.35 per share at approximately 3:35:22 p.m.:

Quantity	Price	Time (PM)	Account #	Account Name
100	\$4.45	3:49:22*	XXXX-1946	IPOF Fund

*** Last trade of the day**

55. Prior to DADANTE's final purchase of the day, the market price for Innotrac had been at \$4.35 per share, it finished at \$4.45 per share.

56. On or about July 22, 2004, DADANTE caused the following trades to be executed in an account he held at Advest:

Quantity	Price	Time (PM)	Account #	Account Name
500	\$9.35	3:49:44	WBW-XXXXXX5110	D & D Publications
500	\$9.35	3:49:51	WBW-XXXXXX5110	D & D Publications
100	\$9.35	3:57:55*	WBW-XXXXXX5110	D & D Publications

*** Last trade of the day**

b. *Incremental Purchases of Innotrac*

57. DADANTE also inflated and maintained Innotrac's stock price at artificially inflated levels by executing numerous small incremental purchases of Innotrac stock

- 19 -

throughout the day. Although DADANTE owned millions of shares of Innotrac stock, he placed orders throughout the day for small increments, such as 100 or 200 shares. The effect of DADANTE's trading activity was to give the appearance of liquidity in the market, which led to an artificially increased market price of the stock.

58. The following tables provide examples of this activity and outline the number of shares purchased, the price, the time of the transaction, and the account number and name which purchased the shares.

59. On or about April 1, 2003, DADANTE caused the following trades to be executed in an account he held at Ferris Baker Watts:

Quantity	Price	Time (AM)	Account #	Account Name
100	\$4.59	9:39:15	XXXX-1946	IPOF Fund
100	\$4.60	9:39:30	XXXX-1946	IPOF Fund
100	\$4.65	9:39:40	XXXX-1946	IPOF Fund
100	\$4.64	10:05:20	XXXX-1946	IPOF Fund
300	\$4.64	10:05:26	XXXX-1946	IPOF Fund
1000	\$4.65	10:05:36	XXXX-1946	IPOF Fund

60. On or about April 2, 2003, DADANTE caused the following trades to be executed in an account he held at Ferris Baker Watts:

Quantity	Price	Time (PM)	Account #	Account Name
600	\$4.59	3:59:41	XXXX-1946	IPOF Fund
400	\$4.60	3:59:46	XXXX-1946	IPOF Fund
400	\$4.60	3:59:46	XXXX-1946	IPOF Fund

- 20 -

61. On or about April 3, 2003, DADANTE caused the following trades to be executed in an account he held at Ferris Baker Watts:

Quantity	Price	Time	Account #	Account Name
100	\$4.34	3:55:16	XXXX-1946	IPOF Fund
100	\$4.44	3:55:28	XXXX-1946	IPOF Fund
800	\$4.50	3:55:42	XXXX-1946	IPOF Fund

62. As of May 21, 2003, DADANTE's IPOF Fund account, XXXX-1946, held at Ferris Baker Watts, owned 1,684,400 shares of Innotrac stock which was approximately fifteen percent of the publicly available shares. The purchase of small lot increments on a daily basis, along with the other manipulative techniques employed by DADANTE and others, caused the price of Innotrac to increase from approximately \$2.68 per share, on or about January 2, 2003, to \$5.97 per share, on or about May 21, 2003.

c. *Wash Sales*

63. DADANTE further manipulated Innotrac's stock price through numerous "wash sales." Wash sales are transactions between parties who are somehow related and thus no actual change in beneficial ownership occurs as a result of the transaction. The effect of a wash sale can be create the illusion that the stock is being more heavily traded than is actually the case. It can also be utilized to move shares from one account to another in order to meet a margin call. DADANTE engaged in wash sales in which he sold shares of Innotrac from one account and purchased those same shares through another account he owned.

- 21 -

64. DADANTE sought to conceal his participation on both sides of the trades by utilizing different account names and falsely representing that investors from Las Vegas, Nevada, were on the other side of the trades. In addition, DADANTE sold shares of Innotrac stock from his own accounts to accounts held by unwitting investors with prearranged prices. The accounts of these investors were controlled by registered representatives RR-1 and RR-2. In turn, DADANTE assisted RR-1 and RR-2, by purchasing shares from those accounts they controlled when needed. Some examples are as follows:

65. In or about August 2003, Ferris Baker Watts placed restrictions on the IPOF Fund for purchases of Innotrac stock from the IPOF Fund account. On or about August 7, 2003, DADANTE opened a second account, #XXXX-5843, at Ferris Baker Watts, held under the name GSGI, with RR-1 as the listed registered representative (the "GSGI Stock Account"). DADANTE subsequently began purchasing shares of Innotrac through the GSGI Stock Account.

66. On or about August 18, 2003, at approximately 2:45:28 p.m., DADANTE sold approximately 64,600 shares of Innotrac stock valued at \$6.55 per share that were held in the GSGI Stock Account. These shares were briefly held in an inventory account at Ferris Baker Watts and at approximately 2:45:37 (nine seconds after the sale), DADANTE purchased the 64,600 shares through his Ferris Baker Watts account #XXXX-1946, held under the name IPOF Fund. The transaction was reported to the NASD as a "riskless principal transaction." That is, at the time GSGI sold the shares, the IPOF Fund had already agreed to buy them. There is no legitimate economic motive for this transaction, as the

- 22 -

ownership of the shares did not change due to the transaction. The only purpose for such a transaction would be to artificially increase the price through the appearance of volume, to reduce margin level in one's account, or to generate broker commissions.

67. On or about August 21, 2003, at approximately 11:27 a.m., DADANTE sold 43,700 shares from Ferris Baker Watts account #XXXX-1946, held under the name IPOF Fund, to the GSGI Stock Account, at a price of \$6.58 per share.

68. On or about September 2, 2004, at approximately 2:51:42 p.m., DADANTE sold 2,000 shares of Innotrac at \$8.84 per share from Advest account #WBW-XXXXXX7612, held under the name DAVID A. DADANTE, with a listed registered representative of RR-2. Five seconds later, at 2:51:47 p.m., DADANTE purchased these shares through Advest account #WBW-XXXXXX5110, held under the name D & D PUBLICATIONS with a listed registered representative of RR-2.

69. On or about December 1, 2004, DADANTE received a margin call of \$10,156.00 on his Advest account #WBW-XXXXXX7612, held under the name DAVID A. DADANTE. In response to that margin call, on or about December 3, 2004, at approximately 11:53:39 a.m., DADANTE sold approximately 77,000 shares of Innotrac at \$8.75 per share from Advest account #WBW-XXXXXX7612. The shares were held in an inventory account at Ferris Baker Watts. The following transactions account for the disbursement of those shares:

70. At approximately 12:42:15 p.m., RR-1 purchased 30,000 of those shares of Innotrac at a price of \$8.90 for the benefit of Ferris Baker Watts account #XXXX-4043, held by a California investor, with a registered representative of RR-1.

- 23 -

71. At approximately 12:42:15 p.m., RR-1 purchased 22,000 of those shares of Innotrac at a price of \$8.90 for the benefit of Ferris Baker Watts account #XXXX-6095, held by an individual in Ohio (Ohio Investor-1), with a registered representative of RR-1.

72. At approximately 12:42:15 p.m., RR-1 purchased the remaining 25,000 of the aforementioned Innotrac shares at a price of \$8.90 for the benefit of Ferris Baker Watts account #XXXX-0647, held by an Ohio investor (Ohio Investor-2), with a registered representative of RR-1.

73. None of the investors were aware of their purchases of Innotrac.

d. *Artificial Bids*

74. DADANTE also manipulated Innotrac's stock price by ensuring other traders in the market could not engage in "short-sale" transactions involving Innotrac.

A short sale (sometimes referred to as "shorting") is the sale of a security that the seller does not own or any sale that is consummated by the delivery of a security borrowed by, or for the account of, the seller. In order to deliver the security to the purchaser, the short seller will borrow the security, typically from a broker-dealer or an institutional investor. The short seller later closes out the position by purchasing equivalent securities on the open market, or by using an equivalent security it already owned, and returning the security to the lender. In general, short selling is used to profit from an anticipated downward price movement because when the short seller subsequently purchases the equivalent securities on the open market, he will purchase them for less than the price at which he borrowed and sold the securities. A short seller makes his profit by the difference in those two prices.

- 24 -

Section 10(a) of the Exchange Act, 15 U.S.C. § 78j(a), and Rule 10a-1 promulgated thereunder, 17 C.F.R. § 240.10a-1, prohibits the short-sale of a security below the price at which the last sale thereof was reported (sometimes referred to as a "downtick").

75. On or about July 30, 2003, DADANTE briefly placed, through Ferris Baker Watts, market orders for Innotrac which were priced incrementally higher than the previous market bid. At the placing of those orders, DADANTE also gave instructions to have the orders removed. Once the order was placed and subsequently canceled, it created an artificial "downtick." It appeared there was a decline in the price of Innotrac when, in truth and in fact, there was no true decline in the Innotrac market price. By creating the artificial downtick, DADANTE effectively blocked all other investors from engaging in short-sale trades of Innotrac shares. DADANTE's activity was manipulative in nature as DADANTE placed the bids with no intention of completing the trade; thus, there was no economic motive for the increased bid.

COUNT 1
(Securities Fraud)

The United States Attorney further charges:

76. The allegations contained in paragraphs 1 through 40 of this Information are repeated and realleged as if fully set forth herein.

77. From in or about 1999, through in or about November 2005, in the Northern District of Ohio, Eastern Division and elsewhere, DAVID A. DADANTE, unlawfully, wilfully, and knowingly, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and

- 25 -

contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud upon investors, in connection with the purchase and sale of the securities; to wit: investment contracts in the form of limited partnership interests in the IPOF Fund.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

COUNT 2
(Securities Fraud)

The United States Attorney further charges:


78. The allegations contained in paragraphs 1 through 7 and 41 through 75 of this Information are repeated and realleged as if fully set forth herein.

79. From at least in or about August 2002 through in or about November 2005, in the Northern District of Ohio, Eastern Division and elsewhere, DAVID A. DADANTE, the defendant, unlawfully, willfully, and knowingly, made or caused to be made, directly or indirectly, by the use of means or instrumentality of interstate commerce or the mails, and the facilities of a national securities exchange, engaged in manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not

- 26 -

misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit connection with the purchase and sale of securities; to wit: Innotrac stock.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.



GREGORY A. WHITE
UNITED STATES ATTORNEY